

Testimony Supporting S.B. 383 and H.B. 5403

Finance, Revenue, and Bonding Committee

March 15, 2021

Dear Senator Fonfara, Representative Scanlon, Senator Martin, Representative Cheeseman, and esteemed members of the Finance, Revenue and Bonding Committee:

I, Danielle Wong, Mayor of the Town of Bloomfield am testifying in support S.B. 383, “An Act Increasing the Applicable Percentage of the Earned Income Tax Credit,” and H.B. 5403, “An Act Establishing A Child Tax Credit Against the Personal Income Tax,” which will reduce the unfair tax burden on working- and middle-class families. The Town of Bloomfield, right next door to our Capitol, is a community predominately populated by working and middle class families who need a tax system that allows them to thrive.

S.B. 383 would increase the Connecticut earned income tax credit (CT EITC) from 30.5 percent of the federal EITC to 41.5 percent, and H.B. 5403 would establish a Connecticut child tax credit (CT CTC) of up to \$600 per child.

Increasing the CT EITC would make Connecticut’s tax system fairer and help working-class families make ends meet. Currently, families making less than \$45,000 pay nearly 26 percent of their income in state and local taxes, whereas the wealthiest families pay less than 7 percent. This unfair tax system exacerbates income inequality and the racial income gap, which makes it harder for working-class families, which disproportionately includes families of color, to make ends meet. Families would likely quickly use the additional support provided by the CT EITC on food, housing, utilities, and other necessities, and that increased spending would, in turn, boost Connecticut’s relatively slow-growing economy.

Establishing the CT CTC would make Connecticut’s tax system fairer and help both working-class and middle-class families make ends meet. Connecticut is the only high cost of living state with an income tax that does not adjust for family size or child care expenses to help offset the high and growing cost of raising children. CT CTC will make Connecticut a more family-friendly state and help reverse the trend of rising costs that have been pushing working- and middle-class families out of our state.

The CT EITC primarily supports working-class families, and the CT CTC supports both working-class and middle-class families. Therefore, expanding the CT EITC and establishing the CT CTC are essential to making Connecticut’s tax system fairer. Specifically, working-class families have the highest overall effective tax rate and would receive the CT EITC and CT CTC, and middle-class families have the second-highest effective tax rate and would generally receive only the CT CTC. Moreover, the proposed CT CTC would support over 600,000 children, including up to about 95,000 children living in poverty, which disproportionately includes children of color.

This legislation is a crucial step forward in making Connecticut's tax system fairer while simultaneously advancing racial justice. Increasing the CT EITC and establishing a state-level CTC will work together to lift more of the state's children out of poverty. Additionally, a state-level CTC will help make Connecticut a more family friendly-state, and it may even provide an incentive for families to root and grow here. For these reasons and more, I urge the committee to pass S.B. 383, "An Act Increasing the Applicable Percentage of the Earned Income Tax Credit," and H.B. 5403, "An Act Establishing A Child Tax Credit Against the Personal Income Tax."

Thank you for your consideration,

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